

# SENATE BILL REPORT

## SB 5876

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As of February 23, 2009

**Title:** An act relating to the incentive in the motion picture competitiveness programs.

**Brief Description:** Concerning the incentive in the motion picture competitiveness programs.

**Sponsors:** Senator Kohl-Welles.

**Brief History:**

**Committee Activity:** Labor, Commerce & Consumer Protection: 2/23/09.

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### SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

**Staff:** Ingrid Mungia (786-7423)

**Background:** The Motion Picture Competitiveness Program (Program) was established by the Legislature in 2006 and modified in 2008. The purpose of the Program is to revitalize the state's economic, cultural, and educational standing in the national and international market of motion picture production.

The statute authorizes a nonprofit 501 (c) (6) corporation to receive contributions from businesses for the purpose of providing funding assistance to motion picture production companies for film production costs, including health insurance, payments into a retirement plan, and other associated costs. These contributions may also be used to market the tax credit, and for the Program's administration. An eight-member board of directors is appointed by the Governor to administer the Program. The Department of Community, Trade and Economic Development (CTED) is responsible for rules that guide the Program and for reporting results to the Legislature.

A business and occupation (B&O) tax credit is offered for a business making a contribution to the Program. The maximum B&O tax credit that may be earned by a taxpayer each calendar year is the lesser of \$1 million or 100 percent of the business contribution. There is a statewide credit cap of \$3.5 million per calendar year. Credits are available on a first-in-time basis. A Joint Legislative Audit and Review Committee study is due in December 2010 on the effectiveness of the B&O tax credit.

Funding assistance to a motion picture production company is predicated on the type of production and the actual amount invested within the state. The maximum funding

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assistance is 20 percent of the total actual investment when at least \$500,000 is invested for a single feature film, at least \$300,000 is invested for a television episode, or at least \$150,000 is invested for an infomercial or television commercial associated with a national or regional advertisement campaign.

By March 31 each year, a survey is required of motion picture production companies that received funding assistance in the previous calendar year. The survey must include information on the funding amount and its impacts on employment, wages, and benefits. The CTED can authorize an extension in the reporting deadline, but if a production company fails to submit an annual survey by the given deadline, the production company must repay the funding amount plus interest. The CTED is responsible for compiling the survey information into summary descriptive statistics and report to the Legislature by September 1 annually.

**Summary of Bill:** Maximum funding assistance to a motion picture production company is limited to 30 percent, rather than 20 percent, of the company's total actual investment in the state.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Washington Film Works (WFW) was formed as a motion picture incentive program pursuant to 2006 legislation. There is a one word change from 20 percent to 30 percent. Currently, WFW reimburses film makers for up to 20 percent of what they spend in Washington State. There is no fiscal impact because we are not asking for more money, but to be able to use the pot of money we have in a little different way, to give more incentives. There are 40 states in the nation that have film incentive programs. We believe this increase will make Washington far more competitive. Washington continues to target the independent film market in the \$2 – \$15 million budget range because they use local crews and vendors. Economic studies in three different states have found that when the incentive program is more competitive, they see a direct growth in the film industry in the state and they are pulling in the higher budgets, which means they are paying their workers a higher wages. Producers have a choice now on where to do their movies because of the different state incentive programs. An emergency clause is requested to be effective in the coming shooting season.

**Persons Testifying:** PRO: Becky Bogard, Amy Dee, WFW.